Summary of LD 2056, An Act to Replace Municipal Revenues Subject to Business Equipment Property Tax Exemption[1]

Highlights:

- **New property tax exemption for business equipment.** As enacted, LD 2056 provides that beginning with business property first placed in service after April 1, 2007, eligible property (property currently eligible for the BETR program other than "storefront" retail) will be exempt from local property tax. Municipalities will be reimbursed 100% in the first year declining to at least 50% in 2013. Municipalities with high percentages of exempt property may receive a higher percentage of reimbursement.
- **Continuation of BETR for nonexempt business equipment.** Eligible equipment first placed in service after April 1, 1995 and on or before April 1, 2007 and property not eligible for the new exemption ("storefront" retail property) remains eligible for the BETR program. BETR eligibility is extended beyond the 12th year that it is in service and reimbursement declines after the 12th year from 100% to 50% for the 18th and subsequent years.
- **Revenue sharing 2:** Additional funding is made available for Rev2 state-municipal revenue sharing (the Disproportionate Tax Burden Fund).

DETAILED SUMARY

	LD 2056 (as enacted)
Nature of tax benefit	1. A new municipal <u>property tax exemption</u> takes effect for eligible property first placed in service after April 1, 2007. "Eligible property" is the same as under the BETR program except that it does not include most "storefront" retail property. 2. <u>BETR</u> continues as under current law for: A. Property first placed in service on or before April 1, 2007, B. "Storefront" retail property, and C. Property that under the old BETR program would have exited from the program after 12 years.
Eligible property	1. <u>Property tax exemption</u> for eligible property first placed in service after 4/1/07: A. Uses same definitions of eligible property as under BETR program EXCLUDING property located at retail sales facility <u>and</u> used in a retail sales activity, B. Property located at a retail sales facility and used for production or other non-sales activity, and C. Property owned by a business with a retail sales facility exceeding 100,000 square feet of interior customer sales space with less than 30% of revenue in Maine from sales at a retail facility in Maine. 2. Property continuing in the <u>BETR program</u> A. Eligible property first placed in service on or before 4/1/07, B. Storefront retail (nonexempt property located at retail sales facility <u>and</u> used in a retail sales activity), and

[1] This summary describes the enacted version of LD 2056 as amended by Committee Amendment "A" (H-1078). As of 5/3/06 the bill is pending the Governor's signature.

	C. BETR-expiring property is resurrected under BETR program (although reimbursement to taxpayer is reduced after the 12th year of eligibility).
Duration of benefits	Property tax exemption – No time limit BETR – Reimbursement decreases after 12 years but does not go below 50%
Persons excluded	Excluded from both BETR benefits and new property tax exemption: Same as excluded persons under current BETR law a. public utilities b. radio paging services c. mobile telecommunications services d. cable television companies e. satellite-based direct television broadcast services f. multichannel, multipoint television distribution services
Property excluded	1. Property tax exemption: Same types of property as current BETR law a. office furniture b. lamps and lighting c. gambling machines and devices d. certain cogeneration facilities (e. property located at retail sales facility f. property eligible for property tax exemption as pollution control related g. motor vehicles, watercraft subject to excise (Except -- excluded lighting is limited to lighting used primarily for the purpose of providing general purpose office or worker lighting) 2. Continuing BETR program: Same as current law
Reimbursement to municipalities	1. <u>Standard reimbursement</u> to municipalities for property tax exemption: 2008 100% of property tax revenue loss 2009 90% 2010 80% 2011 70% 2012 60% 2013 and later 50% 2. <u>Alternative reimbursement</u> to municipalities (if higher than standard reimbursement). Alternative reimbursement may be chosen by municipalities with business personal property exceeding 5% of total taxable value. Alternative reimbursement equals 50% of the property tax revenue loss plus 1/2 of the percentage that business personal property represents of the total taxable value plus exempt business personal property value in the municipality.
BETR reimbursement to property owners	Reimbursement for property in BETR program is 100% of taxes for 12 years (except for FY 07 when reimbursement is for 90% of taxes), declining as follows: 13th year 75% 14th year 70% 15th year 65%

	16th year 60% 17th year 55% 18th year and later 50%.
Rev2 Disproportionate Tax Burden Fund	Additional transfers: FY 10 $2,000,000 FY 11 $2,500,000 FY 12 $3,000,000 FY 13 $3,500.000 FY 14 and later $4,000,000.
Accounting	Reimbursements to municipalities and transfers to Rev2 Fund are made as adjustments to individual income tax revenue rather than appropriations. Adjustments are made after transfers have been made for standard revenue sharing (i.e. transfers do not reduce revenue sharing transfers).
Legislative intent	Legislative intent is stated to fund fully transfers to the Rev2 fund and continuing BETR reimbursements after the first 12 years.

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